

**THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON-SALEM DIVISION**

In re:)	Chapter 11
	(1)	
Product Quest Manufacturing, LLC, et al)	Case No. 18-50946
)	(Jointly Administered)
)	
Debtors)	

**MOTION TO CONVERT CASE TO CHAPTER 7 OR FOR
APPOINTMENT OF A CHAPTER 11 TRUSTEE**

The undersigned Bankruptcy Administrator for the Middle District of North Carolina (“BA”) pursuant to Sections 105 and 1112 of the Bankruptcy Code and Rule 9013 of the Federal Rules of Bankruptcy Procedure, hereby moves this court for entry of an order converting this case from Chapter 11 to Chapter 7, or for appointment of a Chapter 11 Trustee.

In support of this Motion, the BA respectfully represents as follows:

1. On September 7, 2018 (the “Petition Date”), the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Middle District of North Carolina (the “Court”). On September 13, 2018, this Court entered an Order determining that the Debtors’ cases should be jointly administered pursuant to Bankruptcy Rule 1015(b).
2. The Debtors have continued in possession of their properties and have continued to manage their properties as debtors-in-possession pursuant to Bankruptcy Code sections 1107(a).
3. Official Committees of Unsecured Creditors have been formed in the case of Ei LLC and in the case of Product Quest Manufacturing LLC (the “Committees”).
4. The Debtors are managing an orderly wind-down and liquidation of assets which has been funded through the use of cash collateral as agreed to by Madison Capital Funding LLC.
5. It appears that it is unlikely that these debtors will be able to rehabilitate this business. The Debtors are liquidating the business.

(1)The Debtors in these cases, along with the associated case number, are: (i) Ei LLC (18-50945);(ii) Product Quest Manufacturing, LLC (18-50946); (iii) Scherer Labs International, LLC(18-50948); (iv) Product Quest Logistics, LLC (18-50950); (v) JBTRS, L.L.C. (18-50951); and (vi)PQ Real Estate LLC (18-50952). The Debtors’ service address is: 2865 N. Cannon Blvd.,Kannapolis, North Carolina 28083.

6. The Debtors have received numerous inquiries from potential strategic buyers and liquidators.

7. The Debtor filed a Motion for Entry of Orders Authorizing and Scheduling an Auction for the Sale of Certain Assets, Approving Bidding Procedures, Approving the Form and Manner of Certain Notices, Setting a Date for the Sale Hearing, and Approving the Sale of the Debtors' Assets to the Highest or Best Bidder(s).

8. On October 10, 2018, the Debtors filed a Conditional Motion to Convert these cases from Chapter 11 to Chapter 7. The well-pleaded allegations of that Motion are incorporated by reference as if fully set forth.

9. Section 1112(b) of the Bankruptcy Code provides that the court may convert to Chapter 7 or appoint a Chapter 11 case for cause, including the following:

- a. Continuing loss to or diminution of the estate and absence of a reasonable likelihood of rehabilitation;
- b. Failure to maintain adequate insurance.

10. In this case, as the Debtors have no ongoing operations, the estate is diminishing by all expenses. The Debtors are liquidating and have no likelihood of rehabilitation. Upon information and belief, the Debtors are unable to procure Directors and Officers insurance after November 4, 2018, and all senior management and board members intend to resign on or prior to that date.

11. The BA has consulted with C. Edwin Allman III, a panel trustee and experienced bankruptcy attorney from Winston-Salem and has determined that he is available to serve as Trustee in this case, should the Court appoint a trustee.

For the foregoing reasons, the Bankruptcy Administrator believes that it would be appropriate to convert this case from Chapter 11 to Chapter 7, or in the alternative, for appointment of a Chapter 11 Trustee.

WHEREFORE, the undersigned Bankruptcy Administrator hereby requests that the court enter an order converting the above-captioned case from a Chapter 11 case to a Chapter 7 case, or for appointment of a Chapter 11 trustee.

Dated: October 11, 2018

Respectfully submitted,

William P. Miller

By: s/Robert E. Price, Jr.

Assistant U. S. Bankruptcy Administrator
State Bar No. 9422